

**This document is important and requires your immediate attention.**

If you are in any doubt as to any aspect of the proposals referred to in the document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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# The Paragon Group of Companies PLC

(Incorporated and registered in England and Wales under number 2336032)

## Notice of Annual General Meeting

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Notice of the Annual General Meeting of the Company to be held at the offices of Hoare Govett Limited at 250 Bishopsgate, London, EC2M 4AA on 27 February 2008 at 9.00 a.m is set out on pages 6 and 7 of this circular.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received not less than 48 hours before the time of holding of the Annual General Meeting.

# The Paragon Group of Companies PLC

(Incorporated and registered in England and Wales under number 2336032)

## Registered and Head Office:

St. Catherine's Court  
Herbert Road  
Solihull  
West Midlands  
B91 3QE

30 November 2007

## To all shareholders

### NOTICE OF ANNUAL GENERAL MEETING

Dear Shareholder,

I am pleased to be writing to you with details of our Annual General Meeting which we are holding at the offices of Hoare Govett Limited at 250 Bishopsgate, London, EC2M 4AA on Wednesday 27 February 2008 at 9.00 a.m.

On 20 November 2007 we announced the Company's preliminary results for the year ended 30 September 2007. In that announcement we discussed the state of the credit markets and its impact on our business and financing. We referred to the discussions which have taken place with our lending banks for renewal of our £280 million corporate facility and to the standby underwriting agreement we have entered into with UBS which provides us with the ability to launch an underwritten rights issue for up to £280 million until 27 February 2008 (unless satisfactory alternative funding arrangements are put in place prior to that time). No decision has yet been made as to whether to proceed with the rights issue but, in light of the changes that any such rights issue would have on the Company's authorised and issued share capital (were it to take place), the Board has decided that it would be inappropriate at this time to propose at the AGM a resolution to renew the existing directors' authority to allot unissued shares and the related waiver of the statutory pre-emption rights.

The resolutions to be proposed at the meeting are set out in the notice of AGM on page 6. If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy card sent to you with this notice and return it to our registrars as soon as possible. They must receive it by 9.00 a.m. on Monday 25 February 2008.

Explanatory notes on the business to be considered as special business at the AGM appear on pages 3 to 5 of this document.

The directors consider that all the resolutions to be put at the meeting are in the best interests of the Company and its shareholders as a whole. Those Board members who are also shareholders will be voting in favour of them and the Board unanimously recommends that you do so as well.

Yours sincerely,

R G Dench

Chairman.

## Details of resolutions to be proposed as special business at the Annual General Meeting

Resolutions 7 and 8 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

### **Resolution 7**

It is proposed in resolution 7 to adopt new Articles of Association (the 'A Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily in order to take account of the changes in English company law brought about by the Companies Act 2006 which are in force at the date of the meeting or are shortly to come into force.

The Companies Act 2006 is being implemented in phases with the final phase coming into force on 1 October 2009. Accordingly, further changes to the Articles may be adopted in future, to reflect this phased implementation process. The principal changes introduced in the A Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted. The A Articles showing all the changes to the Current Articles are available for inspection as noted on page 7 of this document.

The principal changes involve:

- **Articles which duplicate statutory provisions**

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the A Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

- **Variation of class rights**

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the A Articles.

- **Convening extraordinary and annual general meetings**

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the A Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

- **Form of resolution**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the A Articles.

- **Votes of members**

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The A Articles give the directors discretion, when calculating the time limits, to exclude weekends and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The A Articles reflect all of these new provisions.

## Details of resolutions to be proposed as special business at the Annual General Meeting

- **Retirement of directors**

The Current Articles require one third of the directors to retire at each annual general meeting. The A Articles reflect the requirements of the Combined Code on Corporate Governance (as published by the Financial Reporting Council in June 2006) in relation to the retirement of directors.

- **Age of directors on appointment**

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the A Articles.

- **Notice of board meetings**

Under the Current Articles, it is not necessary for notice of a directors' meeting to be given to a director who is abroad. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

- **Records to be kept**

The provision in the Current Articles requiring the board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

- **Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The A Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

- **Distribution of assets otherwise than in cash**

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the A Articles as the provisions are no more than a reflection of applicable legislation.

- **Directors' indemnities and loans to fund expenditure**

The A Articles extend the directors' indemnity contained in the Current Articles to reflect changes introduced by the Companies Act 2006. The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

- **General**

Generally the opportunity has been taken to bring clearer language into the A Articles and in some areas to conform the language of the A Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform

## Details of resolutions to be proposed as special business at the Annual General Meeting

**Resolution 8**

It is proposed in resolution 8 to introduce changes to the Company's Articles of Association to accommodate for provisions of the Companies Act 2006 dealing with conflicts of directors' duties. The government has indicated that the relevant provisions of the Companies Act 2006 will come into force on 1 October 2008. Resolution 8 is drafted to make the changes it proposes to the Company's Articles of Association effective on the date that the relevant provisions are brought into force.

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from the date of implementation of the relevant provisions, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

Section 175(5)(b) of the Companies Act 2006 allows directors of a public company to authorise conflicts and potential conflicts where the articles of association of the relevant company contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest so that the relevant company's directors may avoid breaching their duties. The amendments to the Company's Articles of Association proposed by resolution 8 give the directors authority to approve conflicts and potential conflicts of interest and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively.

The changes proposed in resolution 8 also introduce provisions relating to confidential information, attendance at board meetings and availability of board papers. These will only apply if a conflict has previously been authorised by the directors as set out above, and they serve to protect a director being in breach of duty after such authorisation.

Articles of Association showing all the changes proposed pursuant to resolution 8 ('B Articles') are available for inspection as noted on page 7 of this document. The B Articles have been prepared as a comparison with the A Articles, but it should be noted that resolution 8 will make only the changes marked within the B Articles. Approval of resolution 8 alone will introduce only those marked changes and will not introduce the changes proposed pursuant to resolution 7 unless resolution 7 is itself also approved.

## NOTICE OF ANNUAL GENERAL MEETING

To all shareholders

NOTICE IS HEREBY GIVEN that the nineteenth Annual General Meeting of The Paragon Group of Companies PLC will be held at the offices of Hoare Govett Limited at 250 Bishopsgate, London, EC2M 4AA on 27 February 2008 at 9.00 a.m. for the following purposes:

As ordinary business

- 1 To receive and consider the Company's Accounts for the year ended 30 September 2007 and the Reports of the Directors and the Auditors.
- 2 To consider and adopt the Report of the Board to the Shareholders on Directors' Remuneration.
- 3 To re-appoint as a director Mr R G Dench (who retires under Article 77).
- 4 To re-appoint as a director Mr N Keen (who retires under Article 77).
- 5 To re-appoint as a director Mr C D Newell (who retires under Article 77).
- 6 To re-appoint Deloitte & Touche LLP as Auditors and to authorise the directors to fix their remuneration.

As special business

To consider and, if thought fit, to pass resolutions 7 and 8 as special resolutions:

### Special Resolutions

- 7 'THAT the Articles of Association of the Company shall be amended with effect from the conclusion of the Meeting by making the alterations marked on the print of the Articles of Association of the Company produced to the Meeting marked 'A' and initialled by the Chairman for the purposes of identification.'
- 8 'THAT the Articles of Association of the Company shall be amended with effect from (and including) the date of implementation of section 175(5)(b) of the Companies Act 2006 (or any equivalent or replacement provision of law) by making the amendments to the section entitled 'Directors' Interests' and consequential amendments marked on the print of the Articles of Association of the Company produced to the Meeting marked 'B' and initialled by the Chairman for the purposes of identification.'

### By order of the Board

John G Gemmell  
Company Secretary

### Registered and Head Office:

St. Catherine's Court  
Herbert Road  
Solihull  
West Midlands  
B91 3QE

30 November 2007

Registered in England No. 2336032.

## NOTICE OF ANNUAL GENERAL MEETING

A member entitled to attend and vote at this meeting may appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not also be a member of the Company. A proxy form is enclosed for use in connection with the meeting. Proxy forms and any power of attorney or other written authority under which they are executed (or an office or notarially certified copy thereof) should be lodged with the Registrar of the Company at the address shown on the reverse of the proxy form by 9.00 a.m. on Monday 25 February 2008. The appointment of a proxy will not preclude a shareholder from attending and voting at the meeting.

The proxy appointment rights described above do not apply to any person nominated to enjoy information rights under section 146 Companies Act 2006 by a member who holds shares on behalf of that person.

On a vote by show of hands, every member who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every member who is present in person or by proxy has one vote for every share of which he is the holder.

In view of the uncertainty regarding the application of certain provisions of the Companies Act 2006 relating to multiple corporate representatives and their ability to vote individually, separate arrangements will be put in place at the Annual General Meeting to enable the votes of all multiple corporate representatives to be taken into account. These arrangements will reflect best practice at the time the Annual General Meeting is held.

The register of directors' interests, copies of directors' service contracts and a copy of the existing Memorandum and Articles of Association of the Company together with a copy of the Memorandum and Articles of Association of the Company marked to show the changes being proposed in resolution 7 and a copy of the Memorandum and Articles of Association of the Company marked to show the changes being proposed in resolution 8 will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the Registered Office of the Company from the date of this notice until the date of the meeting and at the place of the meeting from 8.30 a.m. on the date of such meeting until the conclusion thereof. The Report and Accounts have been sent to the Company's shareholders.

Biographical details of current directors are provided on pages 12 and 13 of the Annual Report and Accounts circulated with this notice.

